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ECONOMIC PARTNERSHIP AGREEMENTS OF THE EU: IMPACT ON REGIONAL INTEGRATION IN AFRICA

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The development and dynamics of regional integration in Africa are severely influenced by the transformation of the trade relations between African, Caribbean and Pacific (ACP) countries and the EU, imposed by the Cotonou agreement. Economic relations now based on unilateral trade preferences provided by the EU are envisaged to be based on Economic partnership agreements (EPAs) that should regulate trade and cooperation establishing new trade regimes between the EU and ACP regions selected by clear criteria. They also promote regional integration efforts and impose measures to support developing partner regions. However a decade after the start of the negotiations for the EPAs in Africa, the impact on regional integration is still unclear. The EPA negotiations do not cover the existing regional economic communities (RECs) which complicates the already delicate situation of dispersed capacity. Although EPAs aim at the promotion of regional integration their immediate impact is even greater fragmentation of existing RECs. The report examines the principles, history, and current state of negotiations as well as the twofold effects of EPAs on regional integration efforts in Africa.

The EU Development policy

The Economic partnership agreements (EPAs) are an integral part of the Development policy of the EU that is developed to answer the needs of the least developed and poor countries in Africa, Asia, Latin America, The Carrebian and the Pacific region. Development policy is a key area of the EU's external relations. The primary objective of EU development policy is reduction and long-term eradication of poverty. Each year, the Community and its Member States provide more than half of all international development assistance. The commitment to policy coherence prompts the EU to take account of the objectives of development cooperation in the policies it implements which are likely to affect developing countries.

EU special trade regimes for developing countries include the Generalised System of Preferences (GSP) which is an autonomous trade arrangement through which the EU provides non-reciprocal preferential access to the EU market to 176 developing countries and territories in the form of reduced tariffs (Standard GSP). Furthermore, there is a special incentive arrangement for sustainable development and good governance for 15 beneficiary countries, known as GSP+. The Everything But Arms (EBA) arrangement provides duty-free and quota-free access for all other products for the 49 Least Developed Countries (LCDs). In 2011, the Commission put forward a proposal for a revised scheme to focus Standard GSP on those countries that are truly in need, to strengthen GSP+ as an incentive to good governance and sustainable development as well as making the system more transparent, stable and predictable. The EBA scheme should be reinforced, but by re-adjusting the preferences, the Commission hopes to attain a generally higher impact.

Relations between the EU and the African, Caribbean and Pacific (ACP) countries were formalised over time through the conclusion of several agreements or conventions. These are the conventions of Yaoundé, Lomé and Cotonou. These agreements had as their primary goal the eradication of poverty through increased integration of the ACP countries into the world trading system and have gradually integrated significant elements of good governance, political dialogue and economic cooperation. The partnership agreement signed in Cotonou, Benin, on 23 June 2000 established a new 20-year framework for future relations between the EU and ACP countries. Just like the Lomé Convention, the Cotonou Agreement (CPA) aims to improve the standards of living and economic development of the ACP countries and establish close cooperation with them on a spirit of true partnership. The Cotonou Agreement foresees the finalisation of the long standing non-reciprocal trade preferences granted to ACP countries since the first Yaoundé convention. The agreement provided for a preparatory period of 8 years towards the conclusion of new WTO-compatible trade arrangements (the Economic Partnership Agreements, EPAs), by January 2008. During this preparatory period the trade preferences granted under Lomé IV were retained.

The Economic partnership agreements of the EU

EPAs are trade and cooperation agreements establishing a new trade regime between the EU and the ACP countries. They are designed to create WTO-compatible, developmentoriented reciprocal trading arrangements between Europe and its traditional developing country trading partners, while encouraging regional integration and drawing improved trade capacity building and other aid interventions into the developing partner regions. The agreements aim at covering not only trade in goods but also in services and other trade-related areas.

The economic partnership agreements were initially designed to create an entirely new framework for the flow of trade and investment between the EU and the ACP countries, encouraging, amongst other positive factors, regional integration between ACP countries. The ACP EPA countries group themselves into seven regions: five in Africa, one in the Caribbean and one in the Pacific.
Addressing the weaknesses of the Lomé Conventions, the EU and the ACP agreed to radically reform the ACP-EU trade relationship through the negotiation of the EPAs. The Cotonou Agreement sets out four principles for EPAs:

• Development - EPA negotiations must be placed in the context of the overall development objectives of ACP countries and of the CPA. To be of benefit to the ACP, EPAs must be 'economically meaningful, politically sustainable, and socially acceptable'. Hence, EPAs are not just ordinary agreements on trade. Rather, they are intended to be development-oriented trade arrangements to foster development and economic growth in ACP countries which will ultimately contribute to poverty eradication.

• Reciprocity - The most important element of an EPA is the establishment of an FTA, which will progressively abolish substantially all trade restrictions between both parties. This is a radically new element in ACP-EU trade relations and also a necessary requirement to make the EPAs WTO-compatible. For the first time, ACP countries will have to open up, on a reciprocal basis, their own markets to EU products in order to retain their preferential access to the EU market. The rationale for reciprocity rests on the principle that liberalisation of ACP markets towards the EU will increase competition within ACP economies, thereby stimulating local and foreign (including EU) investment and the necessary adjustment of their economies, leading to growth and development.

• Regionalism - The EU clearly envisages negotiations with ACP regional groupings which are in a position to do so, though it has not ruled out the possibility of concluding agreements with single countries in exceptional cases, as in some of the interim deals. The principle of basing future trade cooperation on regional integration stems from the conviction that regional integration is a key step towards further integration into the world economy, as well as an instrument to stimulate investment and lock in the necessary trade reforms.

• Differentiation - Considerable weight is given to differentiation and special treatment, which affirms the North-South nature of the relationship. The CPA states that EPAs will take into account the different levels of development of the contracting parties. Hence, EPAs should provide sufficient scope for flexibility, special and differential treatment and asymmetry. In particular, LDCs, small and vulnerable economies, landlocked countries and small islands should be able to benefit from special and differential treatment.

Hence, the EPA negotiations constitute a shift in ACP-EU trade cooperation relations, ending an era of non-reciprocal trade preferences and replacing the all-ACP-EU trading arrangement by several separate agreements that are negotiated between the EU and the ACP negotiating regions, with the objective of fostering regional integration in the ACP. In essence, the EPAs should thus be essentially enhanced, development-oriented free trade areas between ACP regional groupings and the EU. They aim to cover not only trade in goods and agricultural products, but also in services, and should address tariff, non-tariff and technical barriers to trade. As proposed by the European Commission, other trade-related areas would also be covered, including by increased cooperation between the EU and the ACP, such as competition, investment, protection of intellectual property rights, trade facilitation, trade and environment, trade and labour standards, consumer policy regulation and consumer health protection, food security, public procurement, etc.

Many of the EU's ACP trading partners already have duty-free and quota-free access to the EU market under the "Everything but Arms (EBA)" scheme for the world's least-developed countries (LDCs). But EPAs have much more to offer:

- EPAs enhance trade – beyond free market access, EPAs come with less strict rules of origin, making it easier for LDCs to export products with inputs from other countries (third-country inputs);
- EPAs tackle co-operation on trade-related issues – EPAs provide an opportunity to address complex issues affecting trade;
- EPAs boost regional markets and rules – by tagging on to ACP regional integration initiatives, EPAs promote good for development regional solutions;
- EPAs provide for a broader approach to trade barriers – the EPA approach recognises that tariffs and quotas aren't the only barriers to trade, and provides a way of addressing wider issues;
- EPAs bring tailor-made approaches to regional needs – EPAs are worked out in regional negotiations to make sure they take account of regional needs and each country's sensitivities and conditions;
- EPAs safeguard local economies – though ACP countries that sign EPAs must gradually open up to 80% of their markets to EU imports, safeguards ensure that EU products don't compete against locally produced products;

• EPAs respect national sovereignty – EPAs ask countries to determine their own development strategies and the pace and sequence of reform decisions;

• EPAs are stable partnerships between EU and ACP countries – EPAs establish viable contracts between equal partners which can't be altered without mutual agreement.

Regional economic integration in Africa

Regional integration in Africa is a stated priority objective both of the African governments and international donors since the early days of the receipt of independence. It should address the dynamics of the globalized economy as a means of ensuring competitiveness through best options available in the field of international trade. In the case of Africa, it is even more important because of the colonial heritage, poor management and many conflicts. Regionalism is seen as a possible remedy for the political and economic problems of the continent. The integration approach is adopted, depending largely on the success of integration within regional integration communities (RECs). The integration process based on coordination and gradual integration of the activities of RECs. The idea of the phased approach is that integration should first be provided at the regional level through the creation and strengthening of RECs, which at some point will merge into an African Economic Community.

Currently there are 16 African regional economic communities communities, 7 of them are recognized and serve as pillars for the establishment of an African Economic Community. The Community of Sahel-Saharan States (CEN-SAD) is and integration an harmonization framework aiming to become the leading REC in Africa. The Common Market for Eastern and Southern Africa (COMESA) has the mandate to create a fully integrated and internationally competitive REC in which apply freedoms of movement of goods, people, services and capital. The stated goal of the East African Community (EAC) is the development of a prospering, competitive, secure and politically united Eastern Africa. Concentrated in the Economic Community of Central African States (ECCAS) are 4/5 of African forests, there are lots of minerals and fuels, but frequent conflicts hinder the unfolding of the community's potential. The main goal of the Economic Community of West African States (ECOWAS), where leading is the economy of Nigeria, is to encourage regional economic cooperation and to face the development challenges. The Inter-Governmental Authority on Development (IGAD) activities are aimed at sustainment of peace and security, as well as at development and integration issues. The goals of the Southern African Development Community (SADC), with leading economy Republic of South Africa, are not limited in the field of trade although it is the main engine of integration processes there. In Table 1 are presented the main data for selected RECs (the recognized as pillars of the AEC).

Table 1. Main data on selected RECs (2011)

Name	CEN-SAD	COMESA	EAC	ECCAS	ECOWAS	IGAD	SADC
Member-states	29	19	5	10	15	7	15
Area (thousand sq. km)	15289	11602	1822	6612	4188	5209	9862
Area (% of Africa)	50,9	38,6	6,1	22,0	13,9	17,3	32,8
Population (Million)	540	433	137	134	142	205	273
Population (% of Africa)	53,5	42,9	13,6	13,3	14,1	20,4	27,0
Population density (people at sq. km)	35,3	37,3	75,6	20,3	34,0	39,5	27,7
Employment (% of population over 15)	33,1	38,0	43,3	38,3	33,4	40,1	36,7
GDP (Million USD USD)	910628	518792	82839	188122	127768	140894	654778
GDP (USD p.c.)	1685,3	1197,2	601,2	1400,0	897,4	684,1	2396,1
Merchandise trade (Million USD)	399429	158415	25435	7539	258536	19299	287294
Merchandise trade (% of Africa)	47,8	19,0	3,0	0,9	30,9	2,3	34,4
Imports (% of GDP)	27,7	25,8	33,6	27,0	26,9	25,2	28,6
Exports (% of GDP)	29,0	29,9	13,8	53,9	36,4	14,2	30,9
Trade balance (Million USD)	27636	-50553	-10907	-3036	64546	-9751	-26691

Source: World DataBank, UNcomtrade and own calculations.

The African EPA regions

Eligibility criteria for areas that may be concluded EPAs are clear enough. The difficulty lies in their application to the specific context of the existing structure of African regional groupings. In this context, the EC supports RECs that:

- large enough to constitute a "pole of attraction" that would lead to a trade and economic dynamics;
- aimed at the formation of the customs union;
- are willing to remove non-tariff barriers to future common market;
- have effective mechanisms for the implementation of the decisions taken.

The five African EPA regions are:

- West Africa. The EU is currently in negotiations for an Economic Partnership Agreement with the member-states of ECOWAS and Mauritania. The EU signed an interim Economic Partnership Agreement with the Ivory Coast in November 2008. Ghana initialed an interim agreement in December 2007. The West African region is the EU's most important trade partner in the African, Caribbean and Pacific region. The West African countries account for 40% of all trade between the EU and the African, Caribbean and Pacific region. Despite advanced regional integration processes in the region, barriers to intra-regional trade remain a challenge for the economies in West Africa. Regional trade lags behind compared to trade with developed and emerging countries outside West Africa. The focus of the ongoing negotiations for an Economic Partnership Agreement is strengthening regional integration.

• Central Africa. The EU is currently in negotiations for an Economic Partnership Agreement with Cameroon, the Central African Republic, Chad, Congo, the Democratic Republic of Congo, Equatorial Guinea, Gabon, Sao Tome and Principe (member-states of COMESA and ECCAS). Cameroon signed an interim Economic Partnership Agreement with the EU in 2009. Regional integration remains a challenge for the economies in Central Africa. Regional trade lags behind compared to trade with developed countries outside Central Africa.

• Eastern and Southern Africa (ESA). The EU is currently negotiating an Economic Partnership Agreement with Djibouti, Eritrea, Ethiopia, Somalia and Sudan, Malawi, Zambia and Zimbabwe, Comoros, Mauritius, Madagascar and the Seychelles (member-states of ECA, IGAD and SADC). Eastern and Southern Africa is a diverse Economic Partnership Agreement group, including Indian Ocean islands, countries from the Horn of Africa and some countries of Southern Africa. Regional integration remains a challenge for this region.

• East African Community (EAC). The East African Community countries initialled an interim Economic Partnership Agreement with the EU in 2007. On this basis, the EU and the Eastern African Community are currently negotiating a comprehensive Economic Partnership Agreement. East Africa is a geographically and economically homogeneous region committed to regional integration. The East African Community established a Customs Union in 2005 and fully-fledged union with zero internal tariffs as from 2010. This region is fast tracking its economic integration process has ratified since July 2010 a more far-reaching common market protocol and is envisaging a monetary union.

• Southern African Development Community (SADC). The EU is currently in negotiations for an Economic Partnership Agreement with Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland and South Africa, as the Southern African Development Community Economic Partnership Agreement group. The other six members of the Southern African Development Community region – the Democratic Republic of the Congo, Madagascar, Malawi, Mauritius, Zambia and Zimbabwe – are negotiating Economic Partnership Agreements with the EU as part of other regional groups, namely Central Africa or Eastern and Southern Africa. The EU is the Southern African Development Community's largest trading partner, with South Africa accounting for the largest part of EU imports to and EU exports from the region.

Conclusion

EPA is an ambitious and innovative policy heading towards growth and development in ACP regions. For the ACP signatories, it combines immediate gains (market access, some relaxation of rules of origin, financial assistance targeted to EPAs needs), significant commitments (liberalization towards EU goods and services within EPA regions, transparency and predictability of business rules) and medium-to-long term opportunities (in exports, investments and regional trade, enhanced cooperation). It is also associated with risks (business closures, budget restrictions). As the EU is the biggest trade partner and the main donor for most ACP states, the strategy has the potential to impulse a significant development impetus. The EPA strategy is global and its various pillars – trade, services, regional integration, cooperation, aid – are mutually supportive. Therefore the partial African agreements which address trade in goods and some technical cooperation cannot achieve the development benefits attached to the overall strategy.

Despite the stated goal to promote regional integration, in Africa the impact of EPAs on regional integration is disappointing. The poor results are particularly striking in Western and Central Africa, where negotiations did not create the hoped-for group dynamic. It is obvious that the opportunities offered by the EPAs are not sufficient to motivate further regional integration. In fact, the forces that oppose African integration seem to have spilled over into the EPA negotiations, rather than bringing about an integration impetus. The main criticisms concerns the ability of EPAs to deliver their development benefits.

Although the overall assessment suggests poor progress towards African integration, positive impacts do exist and need to be fairly underlined. They include an initial impetus, the EAC agreement, and to some extent the SADC-group agreement. The EPAs process contributed to integration incentives and to the inplementation of the first FTAs and CUs. in African RECs. The EU-EAC EPA is a successfull outcome for regional integration and the EPA between the EU and the SADC group presents some potential for enhanced regional integration. Aside from the EAC and SADC, the agreements lack the ability to generate regional impetus. More than half of the sub-Saharan African countries remain outside any form of concluded EPAs, which limits the geographical scope of possible integration dynamics that might come from EPAs.

The EU and the ACP states agreed on the significance of of regional integration both as a central objective and a tool to achieve other aims of the agreements. EPAs are an ambitious and innovative attempt to use external leverage to strengthen economic integration. However the EPA process added a layer of new groupings to the already complex map of African integration. Except for EAC, none of the other EPA negotiating configurations coincide with the existing African RECs. The poor progress so far is an evidence that the African regional process is not mature. Economic integration still lacks genuine political support and commitment in Africa. The economic integration initiatives rub against the inability of individual countries to consent the necessary transfers of sovereignty. Insufficient institutional capacity and a failiure to prioritize objectives pose additional obstacles.

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